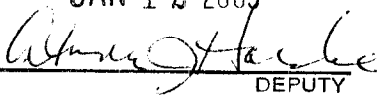


FILED
SUPERIOR COURT
COUNTY OF SAN BERNARDINO

JAN 12 2005

BY  DEPUTY

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN BERNARDINO

IN RE

HIGHLANDS RECEIVERSHIP

GLOBAL ORDER RE BONDS OF

INDEMNITY IN HIGHLANDS INSURANCE
COMPANY MATTERS AND ORDER RE
NOTICE TO INTERESTED PARTIES

AND RELATED MATTERS

HIGHLANDS INSURANCE COMPANY is the surety on approximately 3,900 bonds in the State of California, the majority of which are conservatorship cases. The Court has been informed that Highlands Insurance Underwriters Insurance Company has been merged into Highlands Insurance Company, which is now in receivership under the jurisdiction of the Travis County District Court in Texas. The Court is informed and believed that such circumstances creates a significant risk that Highlands Insurance Company may not be able to pay all claims on surety bonds in a timely fashion should the company move into liquidation.

The Court is informed that American Contractors is willing to substitute in as a surety on a case-by-case basis, and only as to claims to liability accruing after the date of substitution.


Normally, such substitution would be on the application of the party, and only after approval of accounting. See Probate Code sections 2335 and 8485. However, the exigencies of the current situation precludes, as a practical matter, deferring the substitution until the parties make application therefore, and an accounting is approved. Although loss to claimants under the Highlands Insurance Company may be unavoidable, unless the Court on its own motion acts forthwith to minimize the risk of such loss by ordering and permitting the prompt substitution provided for herein, the loss may be greater.

Accordingly, pursuant to the Court's necessary and inherent powers as codified in Codes of Civil Procedure section 128, subdivisions (3), (5) and (8), and otherwise,

GLOBAL ORDER RE BONDS OF INDEMNITY IN HIGHLANDS INSURANCE COMPANY
MATTERS AND ORDER RE NOTICE TO INTERESTED PARTIES

IT IS ORDERED:

1. Upon submission of an application in substantially the form as the attached application, submitted by American Contractors Indemnity Company, or other qualified insurer admitted in California to issue such bonds, American Contractors Indemnity Company, or such other insurer as the case may be, shall be substituted in for Highlands Insurance Company. Unless the accountings contemplated by Probate Code sections 2335 and 8485 can be forthwith accomplished in any particular case, the substitution shall be on the Court's own motion and without the prior accounting provided for in those sections. In the event of such a substitution, American Contractors Indemnity Company, or such other insurer as the case may be shall be liable for the acts of the bond principal(s) occurring after 12:00 p.m., Pacific Daylight time on the date of the substitution, and Highlands Insurance Company shall remain liable for claims accruing prior to 12:00 p.m. on the date of the substitution. In the event of a future dispute as to whether a particular claim or claims is the responsibility of Highlands Insurance Company, or American Contractors Indemnity Company, or such other insurer as the case may be, the court may order such accountings as may be necessary.
2. Highlands Insurance Company is ordered to give prompt notice by mail to the parties in each case pending in San Bernardino Superior Court in which it has issued a surety bond, and to file proof of such service with the Court.
3. American Contractors Indemnity Company, or such other insurer as the case may be, shall promptly give notice of this order and the filing of the substituted surety bond to the bond principal(s) in any case which it seeks to be substituted.
4. A copy of this order shall be published in a newspaper of general jurisdiction in the County of San Bernardino, posted on the Court's website, and at each court location where probate matters are heard.
5. That a list of open Highlands Bonds still potentially open has been attached to this order listed by case number.

DATE: 1/12/05

Supervising Judge, Probate Departments
*RESIDING*GLOBAL ORDER RE BONDS OF INDEMNITY IN HIGHLANDS INSURANCE COMPANY
MATTERS AND ORDER RE NOTICE TO INTERESTED PARTIES